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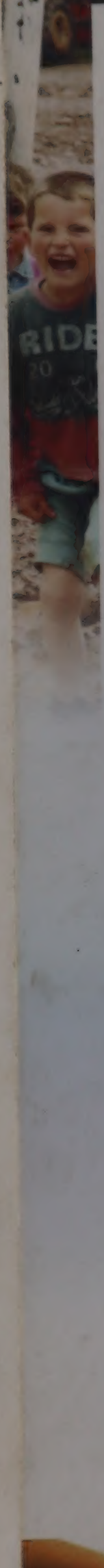

Access to Markets policy paper 2003 – 2006

October 2003

Colophon

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Cordaid forms together with Memisa, Mensen in Nood and Vastenaktie one of the biggest international catholic development organisations. Supported by half a million people in the Netherlands. Cordaid is working with more than thousand partners worldwide for existence with dignity for poor people and those who are deprived of their rights.

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1. Background

1.1. Development Opportunities for the Poor

Millions of people in developing countries live below the poverty line and survive under difficult circumstances. Poor people adopt a number of strategies to improve their livelihoods: they undertake productive activities in agriculture or horticulture, herd cattle, set up a microenterprise or petty trade, or rent out their labour. Regional and international migration is also seen by many as a strategy to improve their standard of living. In most developing countries informal business, petty trade and agriculture are important engines for development of the economy and major sources of income and employment for the poor. Remittances from nationals living abroad are an important source of revenue in local economies. In spite of the many initiatives they take, many poor people are unable to break out of the cycle of poverty. One major reason is that the poor, particularly women and specific disadvantaged groups, do not have access to and control over the means of production, including the opportunity to perform productive labour. In addition the national and international environment is working against them rather than enabling them.

Over the last decades, developing countries have increasingly been integrated into the global market. Yet, so far, the poor have insufficiently benefited from these processes of globalisation and liberalisation. There is overwhelming evidence that the level of inequality between the rich and the poor has increased substantially since the introduction of these policies. Developed countries and large corporations have been the ones benefiting most from these processes. Yet trade can and must be an essential part of any successful development strategy. The World Trade Organisation (WTO) and the international financial institutions have, however, looked at liberalisation as an automatic path for poverty eradication. They have tended to perceive trade liberalisation as an end in itself rather than as part of a wider strategy focused on structural poverty eradication and promotion of equity in development. The reality is that the current international trade system is unfair and does not automatically contribute to poverty alleviation. For this to happen, one would need to develop a new system of trade rules that is fairer and places trade at the service of international development goals. It would start from the recognition that liberalisation may be an outcome of development but is not a cause of development. A fundamental restructuring of the WTO and a larger say of the developing countries, especially the low-income countries, in its structures and its agenda would also be a necessary step towards such a change.

Presently, developing countries have difficulty getting their products (such as agricultural products and textiles) on the markets in developed countries, while their own markets are flooded with dumped products sold under cost price. International standards and regulations and tariff systems also limit participation of the developing countries on the world market. This has to change. Trade liberalisation under fair trade conditions must also take into account that countries are at varying stages of development. Standards and regulations must be developed but applied at a pace compatible with the level of development and capacity of poorer countries. Where many very low-income countries lack adequate economic capacity, imposition of standards and regulation may stifle emerging industries. Poor countries need the right and the capacity to regulate trade and investment in the interests of national development, with the necessary protection when building up industrial capacity and gradual openness when the right conditions are put in place. Currently, the massive dumping, particularly of subsidised food products (including genetically modified products), on the domestic markets of developing countries constitutes a threat to biodiversity, endangers household food security of poor families and robs millions of people of their means of livelihood and employment in family farming. This practice undermines the potential of the South for value-added agricultural-based production and sustainable rural development. It denies poor people in the countryside the possibility of making a living and contributes to the migration to the cities.

Development of fairer international trade is important. Yet, the fact remains that poor people would benefit most from investments in the development of local and national markets. That is where the bulk of their products and services would go, and it is the necessary stepping-stone for developing export markets. Development of regional markets is crucial.
Multinational companies are increasingly penetrating into the more remote corners of the earth and exploring traditional plants, seeds and other natural products for product development and commercial gain. NGOs have a role to play in protecting the interests and rights of indigenous communities to traditional knowledge and genetic resources that are vital to their survival and often their only opportunity to improve their standards of living. Currently, there are insufficient safeguards against the granting of patents on unlawfully acquired genetic resources or traditional knowledge (biopiracy). NGOs have a major role in supporting these communities in getting access to the markets, while at the same time protecting the traditional rights to and knowledge of plants and medicine. NGOs will have to call in expertise on legal and contract issues, to harness themselves in the negotiations with such companies. Process standards and certification can potentially play a crucial role in stimulating processes of development that are not only economically viable but also socially responsible and ecologically sustainable. The development of local and regional certification mechanisms and standards will help to tailor standards to local needs and reduce the costs to local organisations.

Economic growth is essential for poverty reduction but not sufficient in itself. Specific pro-poor measures need to be taken by governments and the multilateral system to ensure that poor can benefit. Since the mid-1990s, the World Bank and major international donor agencies, including the Dutch development agency, have adopted 'pro-poor growth' development policies. These policies envisage combining growth and pro-poor measures, to the benefit of the poor. Ideally the poverty reduction strategies of governments of highly indebted countries that have been laid down in PRSPs are also based on such policies and should lead to major budgetary allocations for measures benefiting the poor. That is still far from the reality.

Economic growth policies and pro-poor policies do not go together automatically. Pro-poor policies require a mix of support to three major areas: macroeconomic stability and economic growth, social sector development and institutional and political change. Where some components are missing, essential conditions for balanced pro-poor growth will be lacking. Pro-poor growth policies should be judged particularly on their impact on the poor in the informal sector and smallholder agriculture, as that is where most of the poor eke out their livelihoods. As long as agricultural policies of quite a few developing countries focus on export-led agriculture (favouring commercial farmers rather than smallholders) and business development policies overlook the position of workers in the informal sector, policies cannot be labelled pro-poor.

Strong and committed national governments need to ensure that trade liberalisation will work positively for the poor. They are to ensure that economic and financial policies pay attention to the interests of the poor. The market mechanism itself is not necessarily development oriented and does not guarantee protection of the poor from a further deterioration of their social and economic position. National governments have to develop legislation and design measures to ensure that poor people can get access to the market and benefit from it. Investments in capacity development and access to good market services, such as credit schemes, transport facilities, market information, business development services, insurance mechanisms, accreditation, quality assurance and trade facilitation, are vital for the poor, but often lacking. Governments have to create an enabling environment for the poor by enhancing their access to natural resources, and reviewing property rights, land tenure and inheritance policies from the perspective of the poor.

In the absence of mechanisms to protect the poor, to promote equality and distribution of resources, processes of liberalisation and privatisation lead to concentration of resources in the hands of a few. The market mechanism does not in itself work towards the common good. It is the role of governments to safeguard the long-term interests of society, and watch over a sustainable use of natural resources, protection of the environment and the instauration of democratic processes in the society at large and the economic processes in particular. It is also up to them to encourage the corporate sector to take up corporate social responsibility.

In those countries that suffer from high corruption, high inflation rates, political instability, civil war, or high crime rates, overall economic development will be difficult, even more so for the poor. Poor people are more vulnerable as they tend to have fewer possibilities to reduce risks than political or economic elites, or for example, multinational corporations. Particularly in countries with very high poverty rates (and virtually no middle class), market demands for services and products may be extremely limited, reducing opportunities of the poor. Governments are to ensure the rule of law, the recognition of property rights and contracts (including communal rights) set up a stable legal system (where theft, bribery and corruption are outlawed and peoples human rights are respected) and establish institutions that can regulate and monitor economic policies and laws. Processes of liberalisation have to be managed democratically to avoid the advantages of liberalisation and privatisation accruing mainly to political elites and big businesses. Unfortunately, particularly in many low-income countries, these conditions are not in place. Rapid promotion of liberalisation processes in the absence of such an institutional setting and enabling environment will lead to a further deterioration in the standards of living of the poor and undermine democratic processes.

Poverty is not only a matter of material deprivation, but also the result of the interplay of psychological, social, cultural and political factors. Investments have to be made in enhancing the knowledge/expertise of the poor, the financial sustainability and performance of their initiatives, their access to money, their level of organisation and negotiating capacity. Where these capacities are weak, poor people will be unable to get out of the poverty cycle. Cultural and social factors also need to be addressed.

Civil society organisations try to influence economic and financial legislation and policies in favour of the poor. They must draw attention to the negative social, political and economic impact of some policies on the poor not just on income levels, but also on household food security and on the gender balance. Civil society organisations must become increasingly conversant both with the language and concepts of the economic and financial world, *and* that of the poor, to be even more effective advocates of the poor.

The characteristics of the supply chain (value chain) – from the initial supplier of input for production or service development, through the traders, processors, exporters/importers, up to the final consumer – and the concentration within the chain have a strong influence on poor people's capacity to prosper. Poor people will be more successful in their economic endeavours if they have a greater understanding of how the markets work, how the production chain is organised, and what actors are controlling prices and setting standards and conditions. Using this knowledge they may be able to negotiate more effectively, and develop contacts with other actors backwards and forwards in the production chain. They may try to influence trade organisations and negotiate better deals through their own organisations. For each step in the supply chain, organisations can articulate specific changes that have to be introduced to make the supply chain more sustainable. While this may be so, it is also true that concentration (horizontal and vertical) within the production chain the world over, particularly in the agricultural food sector, is reducing opportunities of the poor to make their own choices, influence price setting and conditions of delivery. Organisation of the poor is essential to provide some countervailing power. There are signs that the international value chain is increasing the insecurity and vulnerability of workers livelihood through increased use of seasonal and contract labour. Dominant developed country supermarkets are able to dictate standards, quality, production criteria and employment conditions that suppliers must meet.

Particularly in rural areas, processes of privatisation and budget cuts undertaken over the last two decades have reduced the availability of basic social services (health and education) and other services and infrastructure (rural banks, extension services) that are essential to upgrade poor people's skills and capacities. The support services, such as agricultural extension and business development services, that are available are often tailored to the needs of the somewhat better off. Due to poor targeting and lack of understanding of the specific needs and livelihood strategies of the chronically poor, these services have so far had a limited impact on improving the economic position of the poor.

In the economies of developing countries, the agricultural and informal sectors are relatively important, particularly for the poor. Formal employment opportunities in the private sector (formal businesses) are quite limited in a number of regions, while employment opportunities in the public sector are diminishing due to budget cuts. It is becoming increasingly difficult for youngsters in the countryside to make a living in agriculture or livestock management, due to factors such as insecurity, population increase, environmental degradation, and flooding of the local markets by subsidised products from Western countries. The number of poor people with no access to land is growing. They have to rely on their health, social networks and ingenuity as their major assets to work with. One of the challenges within this theme is to enhance access of the poor, and particularly youngsters, to the labour market. Pilot initiatives are undertaken in a number of countries with setting up incubator places, mediating services between unemployed people and companies, and organising unemployed people in pools so as to tender for public works. In the agricultural sector, investments have to be made in improving the position of the farm labourers.

1.2. The Access to Markets Theme

The Access to Markets theme encompasses all activities aimed at increasing the level of income and livelihood assets of the poor (particularly women) and reducing their vulnerability. All activities that promote more equitable access of the poor to the market, be it the product market, the service market or the labour market, fall under this theme. Activities may focus on local, national, regional or international markets, although emphasis is put on improving access to local and national markets are those are most vital to the poor.

Cordaid encourages organisations to adopt such strategies to achieve the overall objectives that:
- safeguard or foster food security at household level;
- safeguard and foster the position of women and specific indigenous groups – their access, control and use of means of production and the results thereof;
- have no negative impact on conflict (Do No Harm);
- have no negative impact on the environment.

While economic development and generation of income are important, from a perspective of equitable and sustainable development, social and political dimensions are equally so.

The theme consists of three sub-themes:
1. market for products, services and labour and marketing aspects (demand side);
2. productive activities within and outside agriculture, and microenterprises (supply side);
3. access to money from one's own source or financial institution to do a and b.

The basic assumption underlying the theme is that all three sub-themes contribute to the overall objective. The rationale underlying this theme is that improved livelihoods will be realised:
- when there is a demand for certain products and services (labour), resulting in sales at reasonable prices (demand side) and with a certain level of continuity;
- when products/services (labour) of relevant quantity and quality are produced and on offer (supply side) to satisfy this demand;
- when people have sufficient access to money to undertake activities on the supply and/or demand side.

The three sub-themes are closely interrelated, although organisations may address this theme from a particular angle/sub-theme.

1. Experiences of counterparts

Cordaid's traditional counterparts, such as the diocesan development offices and multi-sectoral NGOs, have extensive experience in the field of integrated rural development and agricultural development (second sub-theme). Many of their programmes have focused specifically on improving the livelihood of indigenous communities (Indians in South America, pastoralists in East Africa, Pygmies in Central and West Africa, and Dalits and other groups in Asia) often in remote settings. Some of that experience is relevant to this theme. Several evaluations were undertaken by the Co-financing Agencies, on the impact of integrated rural development programmes in the Andean and Sahel regions. These studies provide some insight into the relevance and effectiveness of the operations of these organisations that apply the Access to Markets theme. They have shown that the effectiveness of interventions largely depends on the expertise of counterparts in their field of operation and their flexibility in tailoring their support to the specific survival strategies of the poor.
Other findings:

- planned development initiatives that do not take into account the conflict of interests and differences in position among the poor, tend to enhance inequality and reach those poor people who are somewhat better off (thus the need for better targeting);
- within the Access to Markets theme, the exclusive focus on product markets and services markets tends to overlook the market that the chronically poor want to have access to: the labour market;
- economic development initiatives are more effective if they focus not only on provision of direct support at micro level (major emphasis of current programmes), but simultaneously address macro level obstacles for economic and enterprise development of the poor;
- people within a single household adopt multiple survival strategies simultaneously. This also true applies to the countryside where agriculture is just one of the many sources of income provision; organisations should recognise this reality, and develop their interventions and assess results understanding the interfaces between these strategies within households;
- investment in subsistence farming and food security in marginal areas is a necessary part of access to market interventions, and particularly vital for more vulnerable sections of the poor;
- traditional counterparts (NGOs and diocesan development offices) have limited experience, contacts and expertise in the field of economic and business development, as they tend to focus on the production side.

The introduction of liberalisation and privatisation policies may endanger household food security at the level of households and poor communities. At the same time, the introduction of market dynamics may create new opportunities for household food security programmes, linking household economies to the larger economies. Cordaid's counterparts have considerable experience in this field, which will be tapped and fostered.

Counterparts in agriculture, horticulture and livestock management have generally focused on the production (supply side) and have neglected to orient their production (in terms of choice of product/crop, characteristics of quality and quantity) to the needs of the market. Many of these organisations operate within a narrow geographical area and have limited contacts outside the church or NGO sector. They have only limited experience and expertise in the marketing aspects of agricultural or livestock products (trade, marketing, distribution, promotion, market research and feasibility studies) and are not quite familiar or at ease with the issues and mentality of the trading community and the corporate sector.

The NGOs that have ventured into those areas have not been too successful, because of their limited understanding of how the market works and is organised. Sometimes they have unsuccessfully tried, unsuccessfully, to operate outside the market. In addition, NGOs have faced difficulties when undertaking such initiatives, as the basic businesslike rationale and philosophy contradicts with the social ethics and values of a development agency working for the common good. NGOs have been more successful where they have set up separate structures for commercial activities with their own management and boards

Particularly in Latin America and Asia, support to fair trade organisations has gradually evolved from support to production to investments in processing and trading facilities at an international level. While initially, the support was directed at creating separate market channels and outlets for fair trade products, the new trend is to promote the mainstreaming of fair trade products in the main markets in the North and increasingly in the South. This same trend applies to the marketing of organic products.

Part of Cordaid's portfolio, managed mainly by the Finance Department, consists of companies from the South and the Netherlands, which are involved in sales, trade and marketing. Cordaid links up with these companies as part of its innovative efforts, with a view to creating new market opportunities for smallholder farmers and workers in the informal sector. Cordaid's support consists mainly of credit packages. Relatively new initiatives are those in which civil society organisations from the South enter into agreements with commercial enterprises or trade associations, in order to promote the interests of the poor. In these arrangements, civil society organisations operate as a linking and mediating party between (organisations of) the poor and market parties. Such business or market linkage approaches may offer synergies, bringing together the experience of the NGO sector in working with poor and marginalized people with that of the trading community and the corporate sector in working within market dynamics.

Since the early 1980s, a substantial number of counterparts have set up income-generating activities for the poor. Those initiatives set up with a mix of social and economic objectives have had limited impact on income levels of the poor. The worldwide trend since then has been to view these activities as microenterprises and adopt a market approach. The consensus is that the chances of microenterprises becoming viable and financial sustainability are greater, when initiatives are based on a clear understanding of market demands from the start, rather than being supply driven. There is also a need to encourage innovative microenterprise initiatives by women, which offer products or services other than those considered traditionally 'female'.

Quite a few counterparts do provide microcredit. Studies show that only organisations with a high degree of specialisation in this line of work and a clear mandate and policy are able to provide financial services professionally and in a financially sustainable manner. There is therefore a tendency among multi-sector organisations either to withdraw from this line of work as one is lacking sufficient expertise, or to set up separate structures for the provision of financial services. Cordaid also provides support to specialised financial institutions and the establishment of microfinance networks that work towards quality improvement, accreditation and advice on regulatory mechanisms.

A few counterparts have set up programmes facilitating access of poor people, particularly youngsters, to the labour market in the urban environment. This is worth investigating further. Recently, Cordaid has also started to support structures specialised in providing business development services, mainly for informal and microenterprises. Such support services, particularly when building on the traditional networks of workers in the informal and microenterprise sector or of smallholder farmers, may create new market dynamics offering opportunities, particularly for the poor.

Cordaid's counterparts have also built up experience in the use of credit for peace building and reconstruction processes. Particularly in regions with a high prevalence of HIV, the introduction of labour-saving technologies in agriculture may help to decrease the burden on families. There are also interesting examples of programmes to promote HIV/AIDS prevention and care as part of corporate social responsibility within enterprises. Support to the informal sector is relevant for both the Access to Markets theme and the Urban Livelihoods theme. Analysis of informal sector promotion activities from both an empowerment and an economic perspective may offer complementary insights. The further development of this theme will also entail an exploration of the connection with these other Cordaid themes, in order to build synergies.

Many of the experiences outlined above concerned counterparts working directly with the poor. Particularly important within this theme are those counterparts that conduct social and economic research, analysing the impact of macroeconomic and financial policies on the position of the poor, and suggesting alternatives. This field of work offers a specific opportunity for lobby and research institutions, some of which are of Catholic origin, to analyse the interface of market and social dynamics, and its consequences on poverty and the development of civil society.

2. STRATEGIES

3.1. Policy Principles and Strategie

Cordaid is a civil donor that uses funding to support development processes through its counterparts. To enhance the effectiveness of this support, Cordaid also invests in developing the capacity of its counterparts, as well as fundraising, lobby and advocacy in the South and the North. Continuous encouragement of counterparts to reflect on their work combined with reflection within Cordaid itself on its own performance as a private donor agency are expected to enable learning and continuous improvement of practice based on work done.

Cordaid contributes to the realisation of the millennium goals through its support to its counterparts. Being a value-based organisation, and recognising the inherent inequality among and within societies, Cordaid's focus lies on ensuring that the poor have more equitable access to the market. It also tries to influence thinking of liberal market approaches by drawing attention to the social and political dimensions of economic and financial development initiatives. Cordaid focuses on the people dimension (target group dimension) and supports initiatives at meso and macro level to influence sector development from the perspective of the poor. It encourages the creation of consultation mechanisms in which civil society organisations of the poor have a say. At the same time, Cordaid supports activities of counterparts aimed at enhancing poor people's capacities by investing in expertise development and training, the viability and performance of their economic activities, their access to money, their level of organisation and their negotiating capacity. Thus Cordaid encourages both micro-level support and initiatives to promote changes in the enabling environment, institutions and structures.

Cordaid promotes civil society organisations and (semi-public) and institutions that provide services to the poor or are involved in production. At the same time, Cordaid supports public advocacy work of counterparts aimed at influencing economic and financial policies in developing countries and in the international community in favour of the poor. Through critical analysis and research, counterparts draw attention to the consequences of international and national economic and financial policies on the economic and social position of the poor and on the dynamics within local civil society. Cordaid encourages enterprises from the South and the Netherlands to become involved in social and economic development initiatives of the poor, also in conflict areas. Cordaid thus tries to promote corporate social responsibility, using people and initiatives in the South as a starting point, and with a hands-on approach.

The poor will only be able to sell their products, services or labour at an acceptable price and with a level of continuity if they have access to the various markets and have a better understanding of how markets work. This focus on promoting poor people's access to markets does not imply that Cordaid focuses exclusively on economic and financial aspects. Cordaid is also interested in the impact of activities on the social position of the poor, particularly women and specific marginal groups. This is based on the recognition that poor people adopt multiple strategies to improve their livelihoods. The options they have depend on their position, the various material assets they have at their disposal, their social skills, health and social networks, their culture and value system and motivation. These assets may be conducive to or limiting factors in economic development.[1] Poor people's success in gaining access to markets and securing a better livelihood is greatly influenced by their integration into or exclusion from specific social networks, the value systems prevalent within their societies, and the way revenue generated is invested in families and communities. Social perceptions and prejudices between communities, traders and financial sector and government agencies may constitute a hindrance to development.

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[1] Livelihood assets:
- Human capital – education, skills, health and nutrition, time;
- Social capital – relationships, social networks that enhance access to other resources;
- Physical and financial assets – infrastructure, technology, livestock, seeds, money, working capital;
- Natural capital (land, water, mineral assets);
- Cultural capital (value system, culture, ethnic affiliation);
- Access to assets among men and women and population groups (e.g. pastoralists - agriculturalists) may differ; sometimes opposing interests.

Cordaid encourages its counterparts to gain a thorough understanding of these social mechanisms and patterns and build bridges between various actors with a view to seizing new opportunities. Cordaid uses the livelihood model as a mental framework to analyse the position of the poor, poverty dynamics and poverty reduction strategies. It is also a tool that underlies pro-poor growth development approaches. It can help in understanding local dynamics and initiatives of counterparts within the Access to Markets theme.

Cordaid encourages its counterparts to target their activities to specific well-defined target groups and ensure that interventions and approaches are suitable to the specific needs of that particular target group. Approaches that suit 'poor with potential' may not be relevant to the chronically poor. Most strategies and policies tend to favour the somewhat better off. Specific measures need to be designed to ensure that women, specific marginal groups and the poor are reached. Strategies that have a successful impact on the livelihoods of a particular group or gender may have a negative impact on the position of others and the resources that other categories of poor people have access to.

Conflicts of interests in access to resources, particularly natural resources such as mineral deposits, forests, land and water, are a major source of armed conflict. These differences in interests and priorities between different population groups (between pastoralists and farmers; between landless and forest inhabitants), or between regional and national level, and between short-term and long-term priorities need to be managed. Cordaid encourages the development of innovative natural resource management policies and mechanisms that include aspects of conflict management and promote negotiation between various stakeholders and interests groups.

Various social actors meet within the Access to Markets theme. These include individual citizens, civil society organisation, companies, financial institutions and governments. Cordaid traditionally has strong relationships with civil society organisations, particularly NGOs. One of the challenges is to develop new mechanisms of collaboration between these various players, in which each makes a contribution to the enhancement of the position of the poor and the viability of economic initiatives from its particular perspective. In the interface between these various players in the dialogue with organisations of the poor and NGOs, companies will be encouraged to reflect on their principles and values, while also being encouraged to conduct experiments for corporate social responsibility in the South.[2] NGOs and traditional service providers will get a better understanding of how the market works and what is required to increase the viability and quality of their services through their contacts with traders, enterprises and financial institutions. It is also in the interface between various players and the confrontation between different mindsets that new innovative approaches and methodologies will emerge.

Sections 3.3, 4 and 5 of this document will provide further details on how Cordaid envisages achieving the objectives outlined in the strategic plan for the 2003-2006 period, namely the introduction of a more coherent support policy, an organisational approach as the basis for the relationship with counterparts, its role in advocacy and lobby, and its investments in learning and innovation among counterparts and within Cordaid itself. Detailed information on the various sub-themes can be found in the Annexes.

3.2. Objectives and Results to Be Achieved

Overall global long-term objective
The formulation of objectives will help to enhance coherence within the theme. The overall global long-term objective of the Access to Markets theme is to realise:
An increase in income (in money or in kind) and overall livelihood of poor people (particularly women), and a reduction in their vulnerability. All initiatives supported within this theme are expected to contribute to this overall objective.

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[2] Throughout the world, the corporate sector is becoming aware that it cannot restrict itself to profit making. There is also the matter of 'corporate social responsibility' summarised in the three Ps: Profit, People and Planet. The challenge presented to commercial enterprises and financial and other actors is to strive towards financial, environmental and social sustainability. The OESO guidelines for multinational companies are based on these three principles. They also constitute the cornerstone of the CSR framework to which the Dutch MVO platform subscribes.

However, it is important that the strategies organisations adopt to achieve these objectives
- safeguard or foster food security at household level;
- safeguard and foster the position of women and specific indigenous groups – their access, control and use of means of production and the results thereof;
- have no negative impact on conflict (Do No Harm).

While economic development and generation of income are important, from a perspective of equitable and sustainable development, social dimensions are equally so.

The activities that counterparts undertake as part of the Access to Markets theme have been grouped in the three sub-themes, as outlined in paragraph 1.2. They were the following:
1. market for products, services and labour and marketing aspects (demand side);
2. productive activities within and outside agriculture and microenterprises (supply side);
3. access to money from own source or financial institution to do a and b.

Each individual counterpart has its own specific mission and has defined its organisational and strategic objectives. Through analysis of their strategic documents and discussions, Cordaid has tried to identify common elements in the results that various counterparts within each particular sub-theme strive to achieve for and with the poor, even though the wording they use themselves may be different.

Results of counterparts among the poor[3]
- increase in volume of sales of products, services or workforce or of the price realised (sub-theme A);
- increase in quality or quantity of products or services (or labour) that are produced and on offer sub-theme B);
- sufficient money available from own or outside source for production, trade or marketing (sub-theme C), e.g. access to credit under suitable conditions.

Quite a few counterparts are not directly involved in service provision, sales or marketing. They work on the organisation of civil society around this theme, and/or try to influence policymaking and conceptions of the government and the corporate sector. The results they aspire to achieve could be summarised as follows:

Results of counterparts among civil society and financial/economic sectors
- stronger role/influence of civil society in promoting interests of the poor (especially women and specific marginal groups) in the economic and financial sphere of life;
- contribute to the social transformation process by promoting more equitable access of the poor to the market, including development of new institutions and mechanisms;
- contribute to the recognition of social and political aspects that shape economic development initiatives and vice versa.

The results of their work are visible in such things as:[4]
- new institutions/programmes (e.g. independent market information, business development services for microenterprise, financial services) specifically focused on the poor;
- consultation mechanisms - CSOs and the government;
- changes in legislation/administrative procedures and policies (regulations on microfinance; certification, taxation, sector policies on agriculture, finance, landownership, property rights, economic issues);
- more/new contract arrangements between poor, enterprises and CSO;
- increased corporate social responsibility;
- changes in the views and ideas that various players have with regard to the market economy, and the interplay of economic, social and political factors.

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[3] The results mentioned above, have been conceived from a sector perspective. Of course, organisations also have an impact on the social cohesion and dynamics within and among communities.

[4] Civicus has developed a model to assess the strength of civil society in countries, using the following dimensions: values, structure, impact and space. The examples of possible results listed above reflect these various dimensions.

Results at the level of counterparts
Organisations are more likely to achieve the abovementioned results among the poor, or at the level of civil society/sector, where they invest in their organisational capacities. Organisations that continuously put efforts in becoming stronger, more relevant, efficient and financially sustainable will show gradual improvements in their positioning and learning; in their performance (doing), in their (management) structure, systems, procedures and financial position (being) and in their relationships with others (relating).

Within the Access to Markets theme, a strong organisation is characterised by the following:[5]
- clear mission/vision and role (knowing what it can and cannot do) and entrepreneurial spirit;
- understanding of how the market works, including the recognition of the strengths and weaknesses of market mechanisms, and their own role with respect to the market;
- financial strategies, planning mechanisms, systems, management structures adapted to its core role/function;
- learning capacity: works on the basis of client demand (market analysis) and satisfaction.

How this will work out in detail naturally depends on the function and type of organisation one is dealing with. In the case of organisations involved in service provision, or commercial initiatives this strength can be gauged through such things as:
- more businesslike and demand-based approach in working ethics, financial strategies and planning (business plan), systems, personnel policy, market and feasibility studies, etc.;
- organisational and financial separation of social/political and economic/financial activities.

In the case of service providers, a mix of subsidies and funding through fees from service provision may ensure a demand-led approach while still ensuring that services remain available to poor communities and organisations operating in very remote areas or under difficult circumstances. Organisations working primarily on (innovative) research and analysis or lobby will use other criteria to enhance organisational performance. The financial strategies they adopt to fund their activities and the structure they choose will have to suit their type of work. In the microfinance sector a good deal of consensus exists on what organisational requirements and criteria predict professional financial service delivery, for example through CGAP.

Results of the relationship between Cordaid and its counterparts
Cordaid invests continuously in establishing a positive relationship with its counterparts based on values like respect, recognition of the autonomy of Cordaid and the counterpart, reciprocity, accountability and transparency. It strives to be a good and responsible donor. Its vision on this issue has been laid down in a separate policy paper. Cordaid strives to works towards a relationship in which the expectations, rights and obligations of both parties are laid down in contracts. Monitoring of contracts will not only include monitoring of the counterpart's activities, but also of Cordaid itself. This is expected to create a new dynamics in the relationship with counterparts.
The relationship between Cordaid and its counterparts will be a specific item on the agenda during some workshops with counterparts and field visits by Cordaid desk officers. Through these discussions, Cordaid hopes to get some structured feedback from its counterparts on their appreciation of the relationship they have with Cordaid, to help improve its practice as a donor.

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[5] Cordaid not only supports mature or strong organisations or companies. In addition, Cordaid wants to enable emerging organisations, or those operating in very difficult circumstances, to grow and develop themselves. Within its financial support policy, Cordaid tries to take into account the history and role of specific organisations and the context in which they operate. Sound financial and administrative management is a prerequisite for adequate functioning and credibility of all organisations. Cordaid supports organisations in adopting sound financial management principles. In the case of financial and commercial institutions, sound financial management practices are extremely important for the realisation of organisational objectives.

Results of Cordaid
Cordaid's role as a civil donor is to contribute to the effectiveness and relevance of the work counterparts are undertaking in favour of development. It must therefore have a clear vision on the thematic fields and contexts that counterparts are working in and understand what type of support would help them become even more effective and relevant. The overall result would be a coherent support policy with respect to this theme, visible in, for example:

- the composition of the counterpart and its management as an integrated portfolio (coherence in portfolios of regional departments and Finance Department);
- financial allocations made to the three sub-themes, and about the choice of the type of financial support provided (loans, grants, guarantees) suited to the needs, phase of development and function of organisations;
- support to organisational and institutional development relevant to this theme;
- internal expertise development;
- effectiveness of advocacy and lobby;
- funds mobilised around this theme;
- strategic alliances chosen on the basis of clear criteria, and the investment made in managing and monitoring such collaborations.

3. 3. Consequences for Cordaid Support Within this Theme

Support for the various sub-themes
Presently, Cordaid's support to the various sub-themes is skewed. A relatively big percentage of support is provided to organisations in the second sub-theme (supply side). This support will be maintained and organisations will be encouraged to review the quality and type of products/services in view of the market demand. Support to financial institutions (3rd sub-theme) is also a sizeable proportion. Further development of the theme, along the lines outlined in this document will entail further support to the sub-theme Access to Markets, and development of infrastructure and capacities linked to marketing.

Support for organisational development and capacity building
Organisations that undertake social and economic/financial development initiatives at the same time are often constrained by internal contradictions and different developmental philosophies. They tend to show weak results, and their management and organisational set-up is often not conducive for the financial viability of initiatives.
Cordaid's policy consists of stimulating civil society organisations to clarify their mission and role and the values they maintain, and make clear decisions as to the type of activities they should be involved in and the structure, financial strategies they will adopt to realise organisational objectives. This will generally result in a separation of social and financial/economic initiatives by counterparts and a clearer understanding of the differences between social development and business ethics. Research and lobby bodies from the South and the North will be encouraged to share their knowledge with implementing agencies, so as to get a thorough understanding of how the market works. A professional approach to financial service delivery by counterparts is encouraged.

A major cause of the failure of many organisations in the agricultural or microenterprise sector to generate revenue is the fact that they are supply rather than demand-oriented. Investments in productions are often not based on a sound market analysis (demand, price, and quality specification/customer preferences) and feasibility studies. Cultural values and perceptions about how the market works and how resources can best be allocated should also be a point of attention.
Cordaid's policy is to encourage organisations to conduct market analysis (from a rather crude form for informal enterprise to a very sophisticated study for formally established organisations), cost/benefit analysis and develop an implementation plan. Formally established companies will be required to develop business plans. For this purpose, Cordaid has strengthened its contacts with experts and local agencies specialised in the provision of these types of services to the poor. Microenterprises with low levels of formal procedures will be supported on a small scale; extension of the support will depend on the economic viability of the initiative. Cordaid will also fund the social components (e.g. investment in training, health or organisation) of the programmes of medium-sized companies on a case-to-case basis. It is expected that the capacity of counterparts and support agencies to accompany and support poor people's economic initiatives and their negotiation capacity vis-à-vis commercial and financial institutions will have increased.

Composition of counterpart portfolio
The present counterpart portfolio consists of two major groups of counterparts. The first group consists of NGOs and Diocesan Development Offices (DDOs) that often operate on the basis of social development ethics, and depend on international subsidies/grants to fund their operations. The second group consists of companies, financial institutions and associations that are supported through loans, and a small grant component. The latter group generally has started initiatives that take into account the financial sustainability of the organisation and viability of their initiatives.
Part of the counterpart portfolio consists of NGOs and DDOs that have traditionally focused on the supply side of the market. Through their contacts with organisations of the poor (e.g. farmers or informal businesses) they are in a position to facilitate the links between the poor (groups) and commercial traders and companies involved in marketing. Cooperation with the private commercial sector and with organisations specialising in business development services (provision of management training, market analysis and promotion) is still limited.

Cordaid's policy is to develop an integrated and mixed counterpart portfolio of NGOs, DDOs, enterprises (local and Dutch), financial institutions, which will be achieved by:
- focusing on those NGOs and DDOs that can play a significant role in this theme, and investing in capacity building in order to help them understand how the market works, and supporting their transition processes where necessary;
- identification and collaboration with enterprises, business development services, support agencies, research bodies and Chambers of Commerce;
- linkages between these various players.

Target group differentiation and impact analysis
A summary of basic issues pertaining to the various sub-themes can be found in the Annexes. Interventions of counterparts are expected to address some of the issues outlined there. Specific details will be outlined in the regional and country plans.
An overall principle of Cordaid's policy is to promote counterparts' sensitivity to the need for targeting their interventions to different categories of poor people, paying attention to the gender dimension, and the specific livelihood strategies that poor adopt. This implies that counterparts invest in monitoring the results of their interventions on income and livelihood aspects, and on the wider social and political impact.

Developing new collaboration mechanisms between different players
Within the Access to Markets theme, various social actors meet, each with its specific role, mental framework and expertise. Collaboration between the various social actors (civil society organisations, traders, corporate sector and local government) is still limited and often constrained by negative perceptions. This is a particular hindrance in countries with a socialist history. Cordaid is promoting the dialogue, for example through the establishment of platforms, between these different groups with a view to stimulating new synergies and dynamics.
Cordaid's policy is to promote experiments in which these players meet and work together in different settings and organisational arrangements between the South and the North, with a view to enhancing the capacity of local entrepreneurs, and the economic interests of the poor. Such market linkage and business linkage approaches will be supported and closely monitored by both Cordaid and its counterparts. One of the spin-offs is that it will help to articulate the role of civil society organisations in this theme.[6]

Support for corporate social responsibility
Over the last fifteen years, the interest of the corporate sector, political scene and NGO community in issues of corporate social responsibility (CSR) has been growing. Within the developed world consensus is developing about the concept of corporate social responsibility. This is reflected, for example, in the OESO guidelines [or the Global Reporting Initiative]. Cordaid is gradually developing a policy on CSR (MVO – 'maatschappelijk verantwoord ondernemen') that will have consequences for the Access to Markets theme and beyond. Some of the counterparts in this theme, including microfinance institutions and fair trade organisations, have strong components of corporate social responsibility entrenched in their vision/mission and in their operations.

[6] A specific Cordaid paper on collaboration with the private sector is being drafted, and will be put into practice in 2003.

There are also interesting examples of companies sharing some of their expertise with NGOs and target groups at no charge in order to help them professionalise their work.
Within the Access to Markets theme, the emphasis is on the interests of poor people in the South and the development of initiatives to eradicate poverty, and the promotion of opportunities of the poor to improve their livelihoods. Collaboration with the private sector from the North or the South may be a vehicle for this. At the same time, developing countries are building up their own experiences and practice with CSR. Cordaid's policy is to contribute to influence thinking about and experiences with CSR within the corporate sector (particularly the Small and Medium-Sized Enterprises) based on the promotion of experiences and ideas in the South.[7]

Fundraising and networking in the Netherlands
There is an interest among the Dutch public and the Dutch corporate sector to support initiatives in the field of Access to Markets. The theme appeals to core values such as self- reliance, and a belief in people's capacities. Presently the fundraising potential of this theme is not sufficiently exploited and the exchange of information between regional staff and fundraisers is still weak.
Cordaid's policy is to enhance the visibility of this theme in the marketing approach of Cordaid's fundraising brands (Memisa, Mensen in Nood, Vastenaktie)

Provision of financial support tailored to the needs of organisations
Cordaid's staff is becoming aware of the influence its funding policy and decisions and the choice of specific modalities (duration, type of contracts; donation or loan; conditionalities) have on the dynamics of organisations and their position in society. Funding decisions within the Access to Markets theme can contribute to inducing a change in philosophy and values within organisations. A more conscious mix of loans and grants may induce a market orientation in service providers (organisation in service provision) and in profit-oriented organisations, while allowing attention for reaching the poor.
Cordaid's policy is directed at enhancing awareness of the consequences of financial policies adopted on the dynamics and development of organisations. Thus service providers will be encouraged to cover a considerable percentage of their costs from client fees; organisations with a profit-making objective will be supported by loans, with some grants in the start-up phase or to cover social or capacity building activities. Funding for organisations involved in innovative research and development, or in critical analysis and lobby will be more flexible and largely based on grants. New financial products and services will be developed with support from the Finance Department.

Expertise development and administrative changes
The Access to Markets theme implies a change in the thinking of staff, and sensitivity to economic issues. Cordaid will invest in expertise development with a view to helping staff to:

- develop a vision on the market, and on how liberalisation and privatisation influence the roles of various actors and the position of the poor;
- get a feel for the web of formal and informal networks/relationships and dynamics that constitute the market, and understand constraints and opportunities, and the influence of social and political factors on economic and financial programmes;
- developing a mental framework for the theme, and expertise on sound financial and economic planning;
- develop flexibility to take both financial and social aspects into account (context);
- understand the types of intervention best suited to the poor with potential and those for the chronically poor;
- get a feel as to what constitutes 'a strong Access to Market' organisation;
- get expertise on pros and cons and hows of various financial instruments (regional staff);
- promote closer collaboration between Programme and Financial staff, Finance and Regions.

Investments in research, learning experiments, innovation, advocacy and capacity development are all meant to help effectuate the abovementioned changes within Cordaid.

[7] A more detailed paper on Cordaid's vision and priorities on CSR will be developed in the second half of 2003

3.4. Beneficiaries

Poor men and women (subsistence farmers, livestock keepers and fishermen), traders, people running a microenterprise, and casual labourers, particularly women. Programmes on household food security, microcredit and microenterprise development are mainly oriented towards women. People from specific indigenous communities form a specific group of beneficiaries.
Policymakers with local governments, enterprises and financial institutions in developing countries are beneficiaries of advocacy and lobby initiatives in the South and the North.
Staff of DGIS, the Ministry of Economic Affairs, and Dutch politicians in general are the target of Cordaid's advocacy work in the Netherlands.

3.5. Gender

Sensitivity to gender relations is crucial to this theme. The position of women can only be safeguarded and fostered, where their access, control and use of the means of production and the results thereof is safeguarded or even improved. The livelihood model underlines the need to analyse the different survival strategies people use and helps to be alert to conflicts of interests. Decisions about investments in agriculture for the market may negatively impact household food security (predominately the mainstay of women's agriculture) if they are not consulted in such processes. Programmes aimed at enhancing people's access to money by marketing products will have to include a component of training poor families/men on how to use the money.
Investments have to be made in the marketing and processing of food crops for local and national markets, as those are the products for which women are mainly responsible. Strategies sought to upgrade income-generating activities may impact on the participation and role of women. How can this be prevented? Women are an important target group within this theme. Lobby initiatives towards governments to create an enabling environment should particularly look into legislation and policy that influences opportunities for women. Specific contacts will be established with organisations of businesswomen to find ways to share their experience and networks.

4. Innovation and learning

Cordaid encourages its counterparts to enhance their learning capacity within the Access to Markets theme in the direction outlined in paragraphs 3.2 and 3.3. It will also invest in its own learning capacity

Initiatives within this theme can be supported from two distinct angles. The first is a pure market approach, the second an empowerment approach. Counterparts also differ in their approaches. Research and exchange will help to understand the consequences of the approach selected for the choice and focus of activities, and the results in relation to gender, economic results and social/developmental impact on the poor. Reflection on these various approaches will help to get a feel for the strong and weak points in these various approaches, and will help Cordaid and its counterparts to operate more consciously. It will allow Cordaid to deepen its own perspective on this theme in line with its mission.

In the cities informal enterprises and formal business co-exist and develop relationships. Similarly, subsistence agricultural and agricultural production for the market co-exist in the countryside. These interdependent systems are linked in the value chain. It is important to understand the dynamics and relationships between these various forms of economic activity, the characteristics of each, the way people and activities are organised, and the way resources are allocated and shared. Reflection and innovation can help to foster linkages that in turn foster the position of the poor. Specific research is also needed on the specific opportunities and constraints of specific groups (e.g. Indians, pastoralists or other ethnic groups) to access the market, the value added to their various products and their social networks. Such research will form the basis for designing programmes to enhance their position in the market.

Organisations can play a significant role in enhancing the effectiveness of people's economic initiatives. Traditional community development structures function on the basis of values like solidarity, social equality and common goals. They are not always well-equipped to support economic initiatives. The experiences with membership organisations like cooperatives and associations are mixed. The challenge is to support the emergence of new organisational structures of specific categories of poor people that can foster their economic interests. Research on and experimentation with different organisational forms and structures, including traditional networks, may help to understand and build on their strengths.

The theme offers an opportunity for civil society organisations and companies to meet. Promotion of cooperative models may help to increase production and marketing of poor people's products, while at the same time, providing ideas about new organisational models and corporate social responsibility. The contacts between the civil society organisations and the commercial world will generate a new influx of ideas on both sides.

In spite of the expansion of the microfinance sector, poor people, particularly in the countryside, and smallholder farmers still have difficulty accessing credit. Financial institutions will be supported in developing new products and services. The introduction of a more enabling legislative and administrative framework is to allow financial institutions flexibility to develop new packages. New arrangements for agricultural financing through collaboration with marketing and industrial bodies will be sought to allow small farmers access to money.

In many developing countries, the poor are constrained in their efforts to improve their standards of living, due to war or regional conflicts. Also, counterparts have to take account of the prevalence of conflicts in their work, so as to ensure that they no not directly or indirectly contribute to the conflict (Do No Harm). Further research and promotion of innovative action is needed, to encourage the promotion of effective strategies for the economic development of the poor in these circumstances, which will enable these people in particular, who are so highly vulnerable, to increase their standard of living.

5. Lobby and Advocacy

The success of economic initiatives of the poor and their employment opportunities depend partly on the knowledge/expertise of the poor, the financial sustainability and performance of their economic (survival) initiatives, their access to money, their level of organisation and negotiating capacity and the strength of the civil society in supporting their needs. Other factors that have a major influence on their livelihood chances are:

- the level of organisation of the civil society and its influence on economic and financial legislation and policy in favour of the poor;
- the overall social and economic climate and policy in a country, the level of security, level of law abidance and its influence on the poor and their economic initiatives;
- the characteristics of the production chain, from the initial supplier of input for product or service development up to the final consumers (conditions applied, agreements on price and delivery of products/services; level of control by various parties) – horizontal and vertical concentration within the chain;
- the international environment and regulations (international trade limitations, constraints to free trade, dumping practices, investment climate, high debt ratios, policy on imports and exports of natural resources and primary products; influence of multinational and Dutch corporations) and their effects on the poor and the development of local economic initiatives of the poor and employment.

Cordaid's counterparts lobby for and promote changes in policy on each of the issues mentioned above. They lobby governments to create 'an enabling environment' for economic development and employment for the poor (issues a and b) and at international level (c and d) to promote international measures being taken to allow economic development of the poor. They are also engaged in monitoring to see if the 'pro-poor growth' development approaches are indeed beneficial to the poor. They are also promoting a redesign of PRSPs in favour of 'pro-poor growth'.

Cordaid itself is engaged in advocacy and lobby directed at Dutch politicians, the Ministries of Development Cooperation and Economic Affairs, and to a lesser extent the EU. A focal point in the lobby agenda is to influence the common agenda of the Ministries of Foreign Affairs and Economic Affairs in the field of 'Ondernemen tegen Armoede' (Taking Action Against Poverty), and demand that the civil society organisations in the North and the South participate in its implementation.

Lobby opportunities are greatest where one is able to advocate for national or international issues based on specific needs and constraints of counterparts and the poor on the ground. Where lobby work will be more effective when supported with information from realities on the ground. Cordaid's entry point is the needs and realities of people in developing countries. Advocacy and lobby should create a national and international environment in which these people can improve their livelihoods more effectively. Cordaid is also working through Caritas International and the CIDSE network to lobby at the international level. One of Cordaid's key concerns in the Netherlands is how initiatives on 'Ondernemen tegen Armoede' and corporate social responsibility can positively impact on the poor and their livelihood strategies. That is not necessarily the case. Interests of Dutch companies and emerging companies in the South do not always coincide.
Cordaid is a member of the Dutch MVO platform, in which a number of Dutch civil society organisations are united. Through this platform Cordaid strives to influence Dutch positioning in international cooperation and economic affairs.

6. Organisation and management – contacts with other players

The DGIS general cooperation policy and the Dutch Economic Policy have a bearing on the Access to Markets theme. The policy paper 'Ondernemen tegen Armoede' co-published by both Ministries, helps to define the common grounds between Cordaid's policy and that of the Ministries and to identify issues of common interest. The paper defines three lines of action: support for the international enabling environment, national enabling environment and support to enterprise and economic development in the South through collaboration e.g. through Dutch enterprises. Cordaid also has established contacts with specialised institutions, such as Senter and FMO, which offer services to developing countries and may be relevant for Cordaid.
In January 2003, a Dutch Microfinance Platform was established, uniting all Dutch agencies that support development of the microfinance sector, including Cordaid. Through this network, we are working on the development of common standards for microfinance (with support of CGAP), information exchange on funding, identification and capacity building, and the development of methodologies to assess the financial and developmental impact of microfinance.

Cordaid strives to maximise the impact of its interventions through contacts with specialised financial institutions and banks in the Netherlands, MKB Netherlands (Dutch association of Small and Medium-Sized Enterprises), and participation in MVO (CSR) and Fair Trade-related organisations.

Cordaid is an active member of Caritas International and the CIDSE network. Through its Task Group on Trade & Food Security it is trying to influence the WTO negotiations on agriculture. A particular point of interest is the impact of trade liberalisation on food security in the South. The issue of safeguarding communities' rights to traditional knowledge and genetic resources (including plants) is another important issue, relating to TRIPS (Trade-Related Intellectual Property Rights).

In the mid-1990s, Cordaid and ICCO (Inter-Church Organisation for Development Cooperation) signed a strategic agreement with Agriterra, the development arm of the Dutch agricultural sector. Joint activities are undertaken in Brazil and Central Africa. Agriterra's extensive experience in supporting agricultural membership organisations is also relevant to Cordaid's counterparts.The expertise of Agriterra and Cordaid's counterparts in issues like agricultural finance, marketing of agricultural produce and organisational development of membership organisations is brought together through exchange of experiences and collaboration of consultants on the ground. Following the evaluation of Agriterra's experience on the ground, a new 3-year programme of activities will be defined.

In 2002, Cordaid signed a 5-year agreement with IICD (International Institute for Communication and Development) based in The Hague. One of the aims of this agreement is to use information technology to enhance poor people's access to markets. In Bolivia and Ghana pilot activities are being set up in consultation with Cordaid's counterparts. In Ghana a national workshop was organised with support of the Ministry of Forestry & Agriculture, agricultural research bodies and civil society organisations. Project activities will be identified as a follow up. IICD initiatives in Bolivia are developed jointly with two of Cordaid's counterparts. One initiative in Sucre concerns the use of community radio and Internet to provide up-to-date information for small producers (mostly Indian communities) on markets, prices and the like. Local governments and small producers are supporting these activities and co-funding a satellite connection. The second initiative in Santa Cruz includes the establishment of local information centres that can be used by communities.

Cordaid's internal working group on Access to Markets has a key role in the policy development and implementation of this theme within Cordaid. Participation by staff from all departments in that group allows for a united effort and consultation during the implementation phase. A considerable part of the loans and guarantees funded by the Finance Department (70-80%) falls within this theme and allows implementation of thematic policy. The Finance Department can help in implementing and feeding the thematic policy by facilitating the transfer of knowledge and expertise on economic processes, on the relationship with the corporate sector, functioning of financial institutions and specific financial instruments to the regional departments. Knowledge on economic and financial issues and concerns will thus be mainstreamed through the organisation.

The working group tries to adopt and integrate ideas and principles of the organisational approach and the notion of a learning organisation within the Access to Markets theme. There is also an interest in issues of civil society development and a reflection on the role of civil society organisations within this theme. By trying to understand what makes organisations tick within this theme, Access to Markets is feeding the organisational approach with insights derived from this theme.

The Access to Markets theme shares the following points of interest with the other Cordaid themes:

- a point of common interest with the Peace and Conflict theme is the issue of economic and enterprise development in situations of conflict and the application of Do No Harm principles, not just by NGOs, but also by commercial entities;
- development of microenterprises in the informal sector, and access (particularly by the young) to the labour market are issues of common concern with the Urban Livelihood theme;
- Cordaid's vision on cooperation with the private sector, the emerging policy on corporate social responsibility, and issues of financial sustainability are points of common interest with theme Health and Care theme. The Health and Care theme is lobbying in the direction of the pharmaceutical industries to make drugs more accessible to the poor. The Health and Care theme is also striving to increase the financial sustainability of health institutions. The introduction of corporate policies on HIV/AIDS is an example of CSR that is developing in Eastern and Southern Africa.

Annex 1 Specific Opportunities and Constraints of Smallholder Farmers (Sub-Theme b)

Within the agricultural sector there is a high level of social and economic differentiation. Opportunities and needs of various groups or sub-sectors differ. Sometimes different groups have conflicting interests. Thus the interests of agriculturalists and pastoralists differ, and investments in one group may negatively affect the other. For example, investments in agriculturalists may negatively impact on the pastoralists and their access to land and water. Also, the interests of smallholder farmers producing for subsistence and for the local markets are not the same as those of commercial farmers on capital-intensive farms producing for the export markets. Poor farmers are mainly producing at subsistence level or for local markets. Subsistence farming in its pure form is virtually non-existent, as even the very poor need access to cash to buy necessary services, pay school fees, etc. Poor farmers who are able to produce for the export markets are relatively rare, as they are often unable to guarantee a steady and sufficient supply of produce of a stable quality.

The production capacity of farmers is determined by factors such as their access to and productivity of the land, access to labour, water, climate and diseases/pests, to good inputs and money to buy them, and their transport, harvest, process and storage capacities. However, the income farmers realise not only depends on the quantity and quality of their produce, but also on the characteristics of the marketing chain, the level and flexibility of demand, prices, consumer characteristics and the overall economic environment.

Although there is a stable demand for basic staple food products, the price for these products fluctuates considerably. Prices are low in the post-harvest period when the supply of produce is high, while prices are considerably higher later in the year. Farmers of staple foods therefore have more to gain from investing in increasing transport, storage and processing facilities, allowing them to spread the marketing of produce throughout the year and negotiate a better price, and less to gain from investing in more production. Farmers who live relatively close to cities where a middle class market is available may realise higher prices by investing in the production of specific products for a specific niche market. Investment in the production of ecological certified agricultural produce (eco-brand) may also allow farmers to realise a better price. Investment in cash crops for export is particularly suitable for commercial farmers or well-organised small-scale farmers.
While agricultural extension and research institutions are traditionally oriented towards enhancing the volume or quality of produce, new opportunities can be found particularly in the development of processing, storage and marketing techniques for food and cash crops and new product development.

Government policies that encourage poor subsistence farmers to produce for the market may or may not have a positive impact on the income and food security level within households. That depends on choices households make as to investing solely in food or cash crops or a combination of the two. Household food security is also influenced by the supply and demand factors and prices of the various products throughout the year, and gender aspect, and decisions made at household level on where to invest income. The gradual change in focus of poor farmers from subsistence to production for the market is likely to effect economic as well social changes within the families and within the communities concerned [field research needed].

The efficiency and profitability of smallholder farms that produce food for local consumption is often diminished by the characteristics of the local food markets. Such markets are often rather informal and dispersed along a number of small traders who are poorly organised amongst themselves. They have to incur high costs in the collection, transport, and transaction of products, which has a downward effect on off-the-gate prices offered to farmers. Poor smallholder farmers in particular would benefit from the establishment of more effective structures for local marketing of food crops. This could be realised by investing in the capacity of traders (intermediaries) with a view to enhancing their level of organisation and cutting costs, and enhancing their capacity to distribute and store products and market them more efficiently. Investment in supporting the trade market is expected to result in higher prices for farmers.

Generally, the market for agricultural export products (cash crops) is relatively better-organised and more formalised. Commercial farmers are major suppliers of agricultural export products like coffee, tea, cotton and tobacco. Prices of these products are fluctuate sharply and are generally rather low Traditionally, government institutions have made large investments in the standardisation and marketing of these cash crops, rather than in the marketing of food crops for local or national markets. Often, government subsidies are allocated to increasing the quality standards and marketing of cash crops, while support facilities like financial instruments, regulatory bodies and independent price information are also focused on that particular market and agricultural sector, at the expense of support to local food markets.

Generally, smallholder farmers have limited access to information from neutral sources about prices for their products and about local markets. This has a negative impact on their negotiation capacity and also restricts them in making sound investment decisions. Organisations of farmers are still relatively weak and have limited influence on the distribution and marketing of products. In fact, in many countries cooperative societies that provided price indications and financial guarantees to farmers have folded due to poor management or subsidy cuts, thus increasing the power of traders. Rural development organisations have focused on general community development issues and have had limited relevance for economic purposes. Further encouragement of effective organisations of poor farmers, e.g. in the form of product associations, is necessary and research on organisational aspects would help identify successful experiences.

Due to increasing population levels and environmental degradation, the agricultural sector is unable to absorb all the youngsters born in the countryside. Particularly in Asia and Central and South America there are large groups of landless people who find employment on commercial farms (plantations) and work in very difficult circumstances. Encouragement of people-friendly employment policies on commercial farms would help to enhance their livelihoods. In Africa it is increasingly difficult for youngsters to build up a living in agriculture. Alternative strategies have to be explored.

Annex 2 Specific Opportunities and Constraints for Entrepreneurs in the Microenterprise Sector (Sub-Theme b)

Many poor people, particularly women in developing countries, find employment, income and social security in the informal sector. In the 1970s and 1980s, poor people in the cities and the countryside were encouraged, with international support, to undertake income-generating activities, often for a mix of social and economic goals. The benefits of these programmes in terms of income benefits were disappointing. Since then, a shift has made to perceive such activities as microenterprises.

Microenterprises are characterised by relatively low output levels and margins and often depend on (unpaid) voluntary labour input by family members. Particularly microenterprises owned by women tend to rely more heavily on voluntary labour input, and tend to be small and have low inputs of materials and technology. Microenterprises are different from formal enterprises in that:
They have very low levels of capital input, which limits their development potential, as opposed to formal enterprises where considerably more capital is utilised
MSEs (micro/small enterprises) start in response to unemployment and the objective of a microenterprise is to ensure subsistence, as opposed to formal enterprises that are started once sufficient capital has been generated and are driven by the desire to make a profit
People start microenterprises to satisfy the household's consumption needs, as opposed to formal enterprises that have economic objectives.

Since the late 1980s, considerable international support has been directed to the microenterprise sector with a view to alleviating the consequences of globalisation and structural adjustments. This has happened while the microenterprises in particular are suffering more from these global trends than formal enterprises.[8] The efficiency and profitability of the microenterprise sector is encouraged through support in feasibility studies and market analysis, entrepreneurial training, provision of credit, advocacy towards the government for development of policies and institutions in favour of the microenterprise sector, and collaboration with formal private sector.

Like all economic initiatives, the performance of microenterprises is partly determined by the capacity and motivation of the people concerned, and also by the social and economic environment, legislation and administrative regulations concerning microenterprise development, and legal aspects. Access to land, money and infrastructure, as well as to information, training and support services and connections with formal private enterprises also play a role. Cultural factors and perceptions of the microenterprise sector and its potential also influence success rates.

Microenterprises run by women differ from those run by men. Microenterprises run by women tend to focus on traditional female 'care' products or services (textiles, bakeries, food products, etc.) and operate in a part of the market with small margins and fierce competition. Men tend to operate more in dynamic growth sectors and activities that rely on the use of technology. There are also differences in the roles women and men adopt and the level of external contacts with suppliers, formal traders, financial institutions and formal enterprises.

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[8] There are two different approaches to microenterprise development. In the market approach, the emphasis is on reinforcing and investing in the individual entrepreneur and economic growth of the microenterprise. Owners of small-scale informal microenterprises are encouraged to transform their outfits into formal enterprises with higher profitability. Within this approach, the more successful entrepreneurs are targeted. The support provided is largely technical and includes training in entrepreneurial skills, provision of credit, and encouragement of government policies to support microenterprise development. The success of initiatives is assessed on the basis of income levels and profitability of enterprise activities.
The empowerment approach targets women and strives to enhance their economic and social skills and assets. This approach is based on a premise of solidarity among the poor and targets the chronically poor. Investments in training in entrepreneurial skills and provision of credit are also part of the support package in this approach, but often as part and parcel of a broader set of measures meant to enhance gender equality. Initiatives are not only assessed on income benefits of individuals but also on their social effects and impact on society more generally

Just a small percentage of the microenterprises are able to develop into profitable formally established small or medium-sized enterprises. Chances for women's microenterprises are even slimmer as they operate in a segment with low margins, and support and training institutions tend to reinforce that tendency. Women moreover have to combine household (care) and economic tasks.

Many constraints within the microenterprise sector cannot be solved by enhancing the quality or quantity of the products or services offered, but must address the market side: the demand for products, and the fierce competition. Most microenterprises tend to expand their operation by adding on other activities or products, instead of standardising and increasing profitability within one line of production. By specialising in a limited area and negotiating contract arrangements with formal companies, supermarkets and other customers, microenterprises may be able to secure regular demand for their services and products and make further capital investment

Microenterprises are constrained by weak infrastructure, lack of access to credit, training, markets, technology and information. In order to enhance the profitability of microenterprises, initiatives outside traditional sectors are to be explored. In addition, further investments in provision of credit supplemented by training are required, as is and a more active role of NGOs as broker between informal enterprise and formal institutions such as enterprises, financial institutions, government agencies, and support for business development services.

Annex 3 Specific Opportunities and Constraints Affecting Poor People's Access to Markets and Marketing (Sub-Theme a)

All producers of goods and services the world over want to ensure steady sales of their products or services at a price level that is sufficient to cover costs incurred and allows them to make further investments. The existence and flexibility of market demand, price mechanisms, consumer characteristics and economic conditions differ widely per product/service and within and between regions. The demand and price level are determined by the way the production chain is organised and the level (local, regional, national, international) at which one is operating. Quality criteria (standards) are relatively low at the local market level and are highest when one is operating on the international export markets. Well-equipped relatively large-scale producers (or well-organised small-scale producers) with rationalised procedures and systems to streamline operations are best equipped to ensure a regular supply (in terms of volume and quality) of products necessary to operate on export markets. They are also relatively successful in securing contracts with third parties (governments, international agencies or large enterprises) at conditions that are acceptable to them.

Poor and small-scale producers of goods/products or services often have insufficient access to various markets and are not well aware of market mechanisms, price setting processes and the role and interests of various economic players. These producers often fail to conduct market research before undertaking initiatives. Often, they are poorly informed about the pertinent quality criteria, and have limited contacts with companies and institutions further in the production chain (traders, companies) with whom they may have to negotiate. Support for investment in distribution and promotion of products/services as part of the marketing process are often given relatively limited attention, and contacts with specialised agencies in this field of work are rare. In various countries, there are institutions for business development that provide services in the area of market research, management, entrepreneurial training, product development, marketing and promotion. The challenge is to ensure that such services increasingly cater to the needs of the small-scale producers inside and outside the agricultural sectors.

Annex 4 Specific Opportunities and Constraints of the Financial Sector (Sub-Theme c)

Access to financial resources is a necessary condition for the development of any economic activity (both in the development and production of goods and services, and in transformation, distribution and marketing). Money is a lubricant for any economic activity. Nevertheless, the poor still have limited opportunities to strengthen their own capital base through credible saving institutions (in particular, poor people undertaking initiatives with low margins want to build up savings) and limited access to money (credit) from third parties, such as formal and informal financial institutions under conditions and at times that fit their needs. In fact, various categories have different needs for financial services depending on their specific situation. Financial services and products have to be tailored to the needs of specific categories of poor people, such as smallholder farmers, trader and the microenterprise sector. The type of activity (high or low profitability, high or low risk), the developmental stage of the activity or organisation (formal or informal business, start-up or consolidation phase), location and type of clients that an organisation serves all influence the type of financial support that is most suitable to its needs.

Since the mid-1980s, access to credit has increased tremendously, mainly in the urban context thanks to the development of microfinance as a sector. Microenterprises in particular have benefited from the development of this sector. The microfinance sector operates on the principles originally developed by the Grameen Bank in Bangladesh, and uses a specific methodology adapted to the needs and realities of the poor. In Asia, specialised micro finance institutions (mostly NGOs) reach millions of poor people and succeed in ensuring the continuity of their services thanks to very high payback ratios (90-95%) and emphasis on the financial sustainability of their institutions. In Africa and South America the MFI (microfinance institutions) sector is less developed, and their outreach more limited. Outside Asia, the financial sustainability of MFIs is complicated by a number of factors. Cost factors:

- distances between clients (population density), so relatively high transport costs and time required for service delivery;
- salary levels of trained personnel;
- discipline of client groups;
- availability of basic infrastructure;
- security and crime rate;
- the amount of energy that boards and management invest in cost effectiveness of the organisations and the overall culture/values shared by the organisation.

Further development of the microfinance sector as a whole can have a major impact on improving livelihoods of the poor. There is also a need to develop specific services and financial products suited to the needs of specific categories of poor people within individual countries.

In spite of the rise of the microfinance sector over the last decade, the poor in the countryside still have relatively poor access to credit. Particularly smallholder farmers have difficulty securing access to financial services in the form of savings products, credit or guarantees. This is caused by the fact that provision of agricultural credit is a high-risk operation (long product cycle for crops that take years to mature, crop failure, fluctuating prices) with high costs, as services have to be provided to remote areas with low population densities. Few financial institutions dare to take the risk to develop financial products suitable for small-scale farmers.

Quite a few rotating funds and credit schemes initiated by multi-sector NGOs operate ineffectively and at a loss, and are unlikely to be viable even in the medium term. This is due to three major factors: these organisations often lack the specialised financial expertise necessary for the provision of financial services on a professional basis; the structure of the organisation and its management are not developed/tailored to the requirements of a sound financial operation; and organisations strive to achieve social and financial objectives resulting in a lack of clarity and focus. A more professional approach to financial service delivery is required to ensure institutions will be able to guarantee financial service provision in the short and medium term. Over the last decade, a number of countries have folded inefficient cooperative and agrarian rural banks as part of structural adjustment operations The challenge for established financial institutions is to expand their service provision and develop experimental products and support to specific groups such as farmers and poor in the rural areas. Further development of the financial sector and product development catering specifically for the poor require the introduction of specific regulations and policies by governments.

Annex 5 The Impact of Trade Liberalisation on Food Security in the South

Since 2000, CIDSE, the European network of Catholic development agencies, of which Cordaid is a member, has commissioned a number of studies on the relationship between trade liberalisation and food security. These include a review of NGOs, multilateral agencies and national governments. From these studies it is clear that trade liberalisation, carried out under structural adjustment programmes and under the WTO Agreement on Agriculture and regional trade agreements, is a major factor affecting food security prospects of the world's poor.

These studies reveal[9]

- the people negatively affected by sudden trade liberalisation measures are the poorest, those with limited access to capital. Moreover, in most cases, liberalisation polices overlook the gender dimension;
- the impact on farmers varies, according to the produce and whether their countries are exposed to imports. The greater the exposure of a country to food imports, either through dumping or commercial channels, the greater the possibility that farmers will be negatively affected;
- while most developing countries are giving priority to export crops, total export values are often not increasing;
- most of the impact of trade liberalisation on small-scale farmers has come from structural adjustment programmes (SAP), or regional trade agreements rather than from the WTO Agreement on Agriculture (AoA). The impact of SAPs has been particularly harsh, with adjustments required in a short timeframe that has burdened the poor;
- while some countries are feeling the effects of the AoA (as an FAO study has shown), the agreement's full impact may not be known for some years;
- the benefits and costs of liberalisation are influenced by the pace, sequencing and scope of liberalisation measures, as well as by the presence or absence of government regulatory and supporting policies. Examples of the latter include public investment in education and other sectors;
- food prices for consumers do not always fall under liberalisation;
- while the short-term impact should be distinguished from the medium to long-term impact, trade liberalisation has led to many farmers leaving their land and to countries becoming increasingly dependent on food imports. A loss of food sovereignty has resulted. This could lessen a country's room to manoeuvre in agricultural, trade and food policies and make long-term recovery of its agricultural sector more difficult;
- the seriousness of the impact of trade liberalisation and related factors. According to a UNICEF paper by Jan Vandemoortele, "the fruits of liberalisation and globalisation are not reaching the table of the poor. Disparities are on the rise around the world.".

The plea is therefore for a reform of international liberalisation policies.

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[9] Taken from: CIDSE: The Impact of Trade Liberalisation on Food Security in the South. Literature review by John Madeley and Solagral. A CIDSE Background Paper. May 2001, p. 2.

Cordaid forms together with Memisa, Mensen in Nood and Vastenaktie one of the biggest international development organisations. Supported by half a million people in the Netherlands, Cordaid is working with more than thousand partners worldwide for an existence with dignity for poor people and those who are deprived of their rights.

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